

- A. Access to the CSR is essential to any reseller, because a reseller needs the CSR to create its own account for the customer and to bill the customer.
- Q. Is there any other reason why Community Telephone needs to know a customer's BTN?
- A. Yes. Community Telephone needs the customer's BTN in order to be able to process an order to transfer the customer from NYT to Community Telephone.
- Q. Do NYT's retail operations also find it difficult to determine a customer's BTN?
- A. No, because NYT retains both the BTNs and the WTNs of its customers on its database. A NYT sales representative can retrieve a CSR, and successfully submit a service order for processing, simply by listing the customer's WTNs, because the NYT system automatically converts the WTNs into the BTN for the representative. The NYT system also has the capacity to retrieve the BTN corresponding to a WTN submitted into the system by a NYT customer service representative. Consequently, if a retail customer calls NYT about a transaction that requires a BTN, NYT's system will retrieve the BTN, and it will be entered on the order -- all while the customer is still on the line.
- Q. Why is it difficult for Community Telephone to determine the BTN of a particular customer?
- A. Unlike NYT representatives, Community Telephone does not have access to NYT's database that sets forth the BTNs of NYT customers. Instead, NYT has taken the position that if

Community Telephone is unaware of the BTN of a particular customer, Community Telephone is required to contact the customer directly to obtain that information. This imposes a substantial hardship on Community Telephone and its customers. Many customers -- particularly multiline customers -- simply do not know their BTNs. When a multiline customer neither knows its BTN nor has prior telephone bills or other documents that list the BTN, Community Telephone's only recourse is to select one of the customer's WTNs at random and list it on the service order as the BTN. If the order is rejected for lacking the proper BTN, Community Telephone must repeat this process with each WTN until the "right" number is selected. This process is time-consuming, costly, and cumbersome for Community Telephone.

- Q. What practical consequences does the lack of a BTN have on Community Telephone and its customers?
- A. It impairs Community Telephone's ability to serve its customers' needs. Without a BTN, a transfer order will not be processed. The processing of the service order will thereby be delayed, and the installation or other service requested by the customer is likely to be performed later than the customer desired, to the inconvenience of the customer.
- Q. How often does the lack of a BTN cause the rejection of transactions by NYT?

A. This problem usually occurs in the case of transactions involving business customers, since most residential customers are single-line and therefore have the same BTN and WTN. I would estimate that the problem has occurred in approximately 40 percent of our transactions where business customers are involved.

Q. Has Community Telephone discussed this matter with NYNEX?

A. Yes. Community Telephone first discussed this with NYNEX in January 1997. However, NYNEX responded at the same time that it would not make any changes to eliminate this problem.

B. Inability to View Processed Service Orders

Q. Please discuss the second feature functionality problem that you described -- inability to view the service order.

A. When NYT has processed an order, its system transmits confirmation of the order to Community Telephone. However, unlike NYT's customer sales representatives, Community Telephone cannot access the processed service order itself. Community Telephone is also unable to access information regarding the status of a field visit service order for installation of service.

Q. Why is the inability to access the service order a problem for Community Telephone, if it has received confirmation?

A. When a service order is submitted by Community Telephone, an NYT representative manually enters the data on the order into the NYT system. Because of the manual nature of the process, errors in entry can -- and do -- occur. Because

Community Telephone cannot view the service order on its terminal, it has no way of knowing whether NYT entered the data correctly -- and, therefore, whether the customer will receive the services that it requested. If the information regarding the services desired by the customer was entered incorrectly, the customer either will not receive services that it wanted or will receive services it did not want.

Q. Does this same problem exist in NYT's retail operations?

A. No. In NYT's retail operations, a majority of the orders are processed in a fully automated manner. When a retail customer contacts NYT to place a service order, the NYT customer service representative can enter the data regarding the order on the system and then verify the accuracy of that data with the customer during a single conversation. The possibility of errors in the service order is thereby eliminated. In addition, if the customer later calls the NYT representative to determine the status of his/her order, the representative can retrieve that information in a matter of seconds.

Q. Have there been instances when NYT entered data incorrectly on a service order submitted by Community Telephone, and the customer did not receive the service that it requested?

A. Yes. It occurs in about 5 percent of orders. For example, in four of five cases where Community Telephone requested that a line be disconnected, NYT disconnected the incorrect line; upon investigation, it was determined that Community Telephone had submitted the request correctly. In another

instance, Community Telephone submitted a service order that requested NYNEX to omit call blocking for the customer; instead, NYNEX added new call blocking.

Q. How does this problem affect Community Telephone's relationship with its customers?

A. When NYT enters incorrect data on the service order, and the customer does not receive the service it requested as a result of those errors, the customer will call Community Telephone, which must then contact NYT to have the problem corrected. If the customer discovers the problem only after working hours (for example, after the customer arrives home from work), Community Telephone will not be able to discuss the matter with an NYT representative until the following business day.

In these circumstances, the customer is inconvenienced and Community Telephone's relationship with the customer will be damaged. Because Community Telephone is its current carrier, the customer will blame Community Telephone for the error -- which is understandable, since it does not know that NYT was responsible for the problem. At a minimum, the experience will cause the customer to question whether Community Telephone can provide the service that it offers.

Q. You previously referred to the inability of Community Telephone to access the status of a field service order for installation of service. Please elaborate.

A. NYT's GDS system enables its sales representatives to determine the status of a field service order. For example,

if an NYT technician will not be able to arrive at a residence or business at the scheduled date and time because the technician is running behind schedule, that fact would be obvious in the GDS system. However, NYT does not provide resellers with access to GDS for the purpose of obtaining data about the status of installations.

Q. What consequences does this have for Community Telephone?

A. It leaves Community Telephone unable to determine whether the technician has arrived for an installation as scheduled, why any delay in the technician's arrival might have occurred, where the technician is, and -- if the technician is late -- when the technician will arrive. Being "in the dark," Community Telephone can only hope that the NYNEX technician will perform the installation as scheduled. Thus, if a customer calls us and complains that a technician has not arrived for a scheduled installation, Community Telephone is unable to advise the customer of the reasons for the delay or the technician's scheduled arrival time. Not surprisingly, this causes customer dissatisfaction, which is directed at Community Telephone.

Q. How often does Community Telephone receive such customer complaints that a technician has not arrived as scheduled for an installation?

A. In about 20 percent of the field service orders that Community Telephone has scheduled.

Q. Does NYT's retail operation have access to information on the status of installation orders?

A. Yes. As I previously indicated, NYT's GDS system includes information on the status of field visit service orders for installations. Thus, if one of NYT's retail customers calls NYT and asks why the technician has not yet arrived for an installation, the NYT sales representative can furnish that information to the customer.

Q. Has Community Telephone brought its lack of access to information on field service installation orders to the attention of NYT?

A. Yes. Community Telephone first contacted NYT about this problem in November 1996. However, NYT has replied since that time that it would not agree to make any changes in the GDS system that would enable Community Telephone to access information on the status of installation orders.

Q. Are there any other problems that Community Telephone has experienced because it receives only confirmation of a service order from NYT without being able to view the service order itself?

A. Yes. Because the NYT sales representative enters the data on the service order manually, the representative can make -- and has made -- errors that cause billing problems, even when the representative correctly enters the data concerning the services desired by the customer and the date of installation or repair. Community Telephone will not know of these errors for weeks after it receives confirmation. The billing errors not only affect customers, but

effectively make Community Telephone liable for the errors of NYT.

Q. How often do these billing problems occur?

A. Approximately 2 percent of orders have this billing problem.

Q. How do these billing problems arise?

A. Even when NYT confirms a service order, the transfer of the customer from NYT to Community Telephone will not be complete unless NYT also implements a process that ensures that NYT will henceforth bill Community Telephone as the reseller, not the new Community Telephone customer. Although NYT has such a process, the process will not recognize the transfer if the data on the service order does not match the CSR or other information on NYT's system. NYT's system, however, does not notify Community Telephone when this occurs. This means that, when the NYT representative incorrectly enters data on the service order and NYT's system fails to recognize the migration as a result, the customer will receive two bills -- one from NYT and one from Community Telephone -- for the non-recurring charges for the same service. Only when the customer notifies Community Telephone of the double-billing does Community Telephone learn of the problem.

Q. Does NYT experience such a double-billing problem in its retail operations?

A. NYT's customers do not experience double-billing, since that can occur only when a customer migrates to another carrier.

- Q. You stated that NYT's system does not notify Community Telephone when its process fails to recognize Community Telephone as the customer's new carrier. Are NYT's personnel aware of this problem before Community Telephone learns of it?
- A. Yes, because the rejection will be noted on NYT's own system as soon as it occurs. For example, in February 1997, one of our customers notified us that it had received bills from NYT and Community Telephone for the same period. We then contacted a NYT sales representative, who advised us that the NYT system had shown a PCD (post-completion discrepancy) for that customer for two weeks. NYT, however, did not notify Community Telephone of that fact.
- Q. How have these problems affected Community Telephone?
- A. The double-billing causes customer confusion and hurts Community Telephone's relationship with its customers. When a customer is double-billed and contacts NYT, NYT will typically tell the customer that its records still list the customer as a NYT customer. The customer will then blame Community Telephone for the problem, and may even cancel its service. Moreover, the customer is billed for more than one month of usage at a time.
- Q. Why, and how, are customers billed for more than one month's usage at a time?
- A. When the NYT system fails to recognize a customer's migration to Community Telephone, it will not give Community Telephone access to the customer's usage record. Thus,

Community Telephone will bill the customer only the flat monthly rate for its service. NYT, however, "holds" the customer's usage until Community Telephone notifies NYT of the double-billing problem and NYT resolves it. That period could be as long as seven weeks. The usage is then all billed to the customer on a single customer bill by Community Telephone. Because customers dislike being billed for more than one month of usage at a time, this creates customer dissatisfaction with Community Telephone.

Q. Does NYT experience this problem in its retail operations?

A. Although these situations have occurred in NYT's retail operations, they are rare. More importantly, any problems of this type with NYT's retail customers are quickly resolved, because they appear immediately on NYT's own system.

Q. Has Community Telephone brought this billing problem to the attention of NYT?

A. Yes. We raised this with NYT in February 1997. NYT promised Community Telephone that it would correct this problem within weeks. To date, however, NYT has not done so, and Community Telephone customers are still experiencing these problems.

C. Difficulties In Changing Service Orders

Q. You also mentioned that the existing OSS does not enable Community Telephone to change customer service orders without significant human intervention. Please elaborate.

- A. After Community Telephone has requested that NYT process a service order for a new Community Telephone customer, the customer will sometimes call us back and ask that the order be modified to change the installation date or the features to be provided. This occurs in about 10 to 15 percent of new customer orders.

Although Community Telephone would prefer to submit a revised service order to NYT that reflects the changes, NYT's system will not accept a modified order until NYT responds to the initial order, such as by a firm order confirmation. Typically, this response takes 2 to 24 hours; the average delay is 2-4 hours. If Community Telephone wishes to avoid this delay, it must contact a NYT sales representative by telephone and describe the changes. NYT will then initiate a query transaction, to which Community Telephone must respond.² Whatever course it takes, however, Community Telephone cannot submit the modified order into the system for hours after the customer advises it of the change.

- Q. ~~Must NYT follow the same process in making modifications in~~ service orders for its own retail customers?
- A. No. When a retail customer calls NYT after placing an order and requests modifications, the NYT representative enters

² Community Telephone would be required to pay the transaction charges proposed by NYT if it followed this alternative procedure.

the modifications into NYT's system while the conversation is still taking place. The process takes but a few seconds.

Q. Has the procedure that Community Telephone must follow to modify orders proved to be time-consuming?

A. Yes. As previously described, if Community Telephone decides simply to wait for a response from NYT, the response time would be 2 to 24 hours. Even the alternative route of calling the sales representative can be lengthy. Community Telephone must first make contact with the NYT representative (who may be preoccupied with other matters) to submit the request for modification. Only after Community Telephone answers the query will NYT enter the modification. Generally, it has taken 4 to 6 hours from the time Community Telephone submits the request for modification until the modification is entered on NYT's system (that is, until Community Telephone receives acknowledgment that its response to NYT's query has been received).

Q. Has Community Telephone asked NYT to adjust its system to accept modifications of service orders from Community Telephone?

A. Yes. Community Telephone first raised this with NYT in December 1996. NYT responded at that time that it intended to correct the situation by the end of 1997. NYT also stated that it does not regard this as a priority item and that, until it does correct the problem, Community Telephone

will be required to request modifications through the above-described process.

V. INABILITY TO DIFFERENTIATE BETWEEN RETAIL AND RESALE CUSTOMERS

Q. You previously mentioned that NYT's operational support systems have been unable to differentiate between resale and retail customers. What, specifically, do you mean?

A. NYNEX's systems lack the necessary mechanisms to distinguish between the customers of reseller's and NYNEX's own retail customers. As a result, Community Telephone's customers still receive mass mailings that should have been restricted to NYT's retail customers, and receive follow-up service calls by NYT that identify the service as NYT's or NYNEX's. Even more significantly, due to its inability to distinguish between retail and resale customers, NYT has discontinued service to certain of Community Telephone's customers without advising either Community Telephone or the customer. In each of these situations, the result is customer confusion and customer dissatisfaction.

A. Mass Mailings and Follow-Up Calls By NYT to Customers of Resellers

Q. You mentioned that Community Telephone customers receive mass mailings from NYT. Please elaborate.

A. In many cases, a Community Telephone customer who transferred from NYT to Community Telephone continues to receive the announcements and direct mail promotions that NYT sends in mass mailings to its own retail customers, for months after the customer switched carriers. For example,

Community Telephone customers have received NYT mailings announcing a new service offered by NYT. Typically, the announcements and promotions are letters that begin with, "Dear NYNEX Customer."

Q. How many of Community Telephone's customers have received such mailings from NYT with that salutation?

A. Approximately 10 percent of our customers, to the best of my knowledge.

Q. How do the follow-up calls made by NYT to Community Telephone customers fail to distinguish between resale and retail customers?

A. After NYT installs or repairs service for a Community Telephone customer, a NYT center will sometimes call the customer and asks, "Are you satisfied with the NYNEX service that you received?" or words to that effect.

Q. How often does this practice occur?

A. Based on our conversations with Community Telephone customers, I would estimate that 75 percent of our customers who have received a field visit from NYT arranged by Community Telephone have received follow-up calls from NYT where the service was referred to as NYT's or NYNEX's.

Q. What effect, if any, have these mailings and follow-up calls by NYT had on Community Telephone and its customers?

A. These types of mailings and follow-up calls cause customer confusion. Community Telephone customers who receive a "Dear NYNEX Customer" announcement of an NYT service, or a follow-up call referring to "NYNEX service," typically will

call Community Telephone and ask why they are still being contacted by NYT. These inquiries, of course, produce inefficiencies in Community Telephone's customer service operations that NYT does not experience.

Q. Has Community Telephone brought this problem to the attention of NYT?

A. Yes. In November 1996, Community Telephone asked NYT to ensure that the above-described types of mailings and calls to Community Telephone customers cease. At that time, NYT responded that it was continuing to update its systems and would not commit to correct the problem by a specific date. NYT also stated that its product managers are being "educated" to use the most current customer lists.

Q. Was NYT's response a satisfactory resolution of Community Telephone's concerns?

A. No. Although the actions promised by NYT may reduce the problem to some extent, they will not eliminate it if product managers are the only NYT personnel who are "educated" to ensure that the types of mailings and follow-up calls that I have described are not received by Community Telephone customers. Unless NYT "educates" a larger segment of its personnel, and changes its processes and systems to separate wholesale and retail customers, the problem is likely to continue.

B. Unilateral Suspension of Service To Community Telephone Customers by NYT

- Q. Has the inability of NYT to distinguish between resale and retail customers caused any other problems for Community Telephone and its customers?
- A. Yes. Contrary to the testimony of NYT's witness Gary Butler (§ 116), who asserts that NYNEX does not initiate a suspension of the service of a reseller's customer unless directed to do so by the reseller, NYT has unilaterally suspended the service of 15 Community Telephone customers without notifying either the customers or Community Telephone.
- Q. Why, and how, did NYT suspend service of those customers if they had already switched to Community Telephone?
- A. In each instance, the customer had a billing or collection dispute with NYT that originated before the customer transferred to Community Telephone, and the dispute had not been resolved at the time of transfer. NYNEX's Mechanized Treatment and Collections System, which automatically suspends phone service to a customer for nonpayment of charges after a certain period, does not differentiate between customers of reseller's and NYT's retail customers. Thus, to the extent that the customer has an unresolved billing or collection dispute with NYT, NYT's system will terminate its service without notice.
- Q. What has been the impact of NYT's suspension on the service of Community Telephone customers?

- A. It adversely affects Community Telephone's relationship with the customer and increases Community Telephone's workload. When a customer realizes that its service has been suspended, it contacts Community Telephone. The customer is typically upset and blames Community Telephone for the problem.

In order to have the customer's service restored, Community Telephone has been required to institute a process that requires the submission of a trouble ticket, followed by a telephone call to NYT. Because that order would have to wait its turn with other orders of resellers, the restoration of the customer's service will be delayed -- causing even greater customer dissatisfaction.

Q. Has Community Telephone raised this problem with NYT?

- A. Yes. Community Telephone first discussed these suspensions with NYT in January 1997. In February 1997, NYT claimed that it has fixed the problem. However, because NYT's solution requires human intervention (entry of a notation on the customer's account), and thereby creates a risk that errors will be made in entry, these problems are still occurring. Community Telephone customers continue to have their service suspended by NYT.

VI. OVERALL PERFORMANCE OF NYT's OSS

Q. How would you assess the overall accuracy of NYT's OSS?

- A. Even leaving aside the various problems that I have discussed, the overall performance of NYT's operational support systems is poor. I realize, of course, that

mistakes are bound to happen at times in the course of business, particularly where the system requires so much human intervention by NYT. However, the problems that Community Telephone has encountered with NYT's OSS occur on a daily basis. Not a day goes by when a service order is not queried back by NYT, or when the service order as processed is inconsistent with the request that we submitted.

Q. Has NYT been cooperative in attempting to resolve these problems?

A. As I have described, NYT has taken some actions to correct some of the problems. However, NYT's general approach has been to promise changes in some areas (without giving a date certain for resolution) and to deny our requests for change in other areas.

In addition, NYT has not been willing to accept financial responsibility for errors that it made in the manual entry of data. For example, Community Telephone submitted a request via EIF to designate Community Telephone as a customer's primary interexchange carrier ("PIC"). NYT, however, erroneously listed AT&T as the customer's PIC. The customer was then billed by AT&T for \$1,400 (AT&T's basic long-distance rate), which was approximately \$900 more than the customer would have paid for the same service under Community Telephone's rates. When NYT was advised of this, it acknowledged its error but refused to take any financial responsibility for the problem. As a result, Community

Telephone was required to make up the \$900 difference from its own revenues, since requiring the customer to do so would likely have resulted in the loss of the customer's business.

Q. Do you believe that the lack of training of NYT personnel is a reason for the accuracy problems that you have described?

A. Yes. I have already discussed the failure of NYT to train its personnel to differentiate between resale and retail customers. The lack of training, however, is particularly evident in the NYT sales representatives who must process orders submitted by Community Telephone. On the basis of Community Telephone's dealings with these representatives, it is clear that many of these individuals are not sufficiently trained in the workings of the OSS system. Recently, for example, a NYT sales representative rejected orders with the code "AESX" in them, because the representative did not know that the code -- which NYT developed -- stands for "add call waiting."

CONCLUSION

Q. Describe the overall impact of the various OSS problems that you have described on Community Telephone's ability to compete as a reseller.

A. The problems that I have described have made it impossible for Community Telephone to offer local service that is equal in quality, reliability, timeliness, and availability to the service that NYT provides to its own customers. They have made it more difficult for Community Telephone to compete in

the local exchange market. A reseller such as Community Telephone needs parity of access to the NYT OSS to succeed. NYT's system, however, has the effect of often denying Community Telephone access to CSRs and other data that Community Telephone needs to serve its customers (such as due dates and number assignments). The lack of such data causes delays in the processing of the service order; thus, installations or repairs are delayed. Even when access is not denied, the slow response times of the NYT OSS impair Community Telephone's ability to attract the prospective customer who is on the line requesting service. Moreover, when problems occur in installation or repair -- as when NYT installs the wrong features or the NYT technician fails to appear for repairs as scheduled -- Community Telephone is often the last to know. The system also results in communications with our customers by NYT (causing customer confusion) and errors in the billing of our customers (which the customers blame on Community Telephone).


Each of these problems adversely affects Community Telephone's ability to provide its customers with the service that they requested, making it more difficult for Community Telephone to retain its customers' business. A reseller such as Community Telephone cannot afford to make mistakes in the eyes of its customer. If it does, the customer is likely to return to NYT or to switch to another carrier.

The problems with NYT's OSS have further -- and even more significantly -- hindered Community Telephone's ability to compete in the market by reducing the possibility of customer referrals. For any new carrier, favorable word of mouth about the carrier's service can be a significant means of increasing the carrier's customer base. When a Community Telephone customer advises someone who is taking NYT's service that Community Telephone is offering quality service at attractive rates, that NYT customer is more likely to "take a chance" on Community Telephone. If customers gained through referrals then favorably recommend Community Telephone to others, the customer base will increase even further, and Community Telephone will gain a reputation for quality service.

Our problems with NYT's OSS, however, have reduced the likelihood of attracting new customers through referrals. The customer confusion and dissatisfaction that has resulted from these problems have been directed at Community Telephone -- not at NYT. A customer who is unhappy with its existing service will not recommend that service to others; if anything, the customer will describe the service unfavorably. As long as the problems with the OSS persist, the number of possible referrals will decrease -- and Community Telephone will be hindered in its ability to attract new customers.

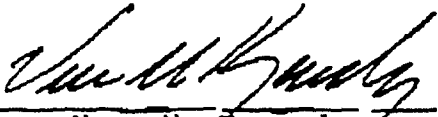
Q. Does this conclude your statement?

A. Yes, it does.


Vern M. Kennedy

CERTIFICATE OF SERVICE

I, Vern M. Kennedy, do hereby certify that a true and correct copy of the foregoing Statement was served by Federal Express or by hand, to each of the parties on the attached service list, on this 28th day of March, 1997.


Vern M. Kennedy

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MISSING LINKS



The chain of events needed to open local service markets isn't all it should be. The weakest link could be the state of electronic interfaces between incumbents and new competitors.

